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Shealy Boland Reibold
Counsel for ORS

December 5, 2007

VIA E-FILING AND HAND DELIVERY

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Application of Harbor Island Utilities, Incorporated for Approval of a New Schedule of Rates and Charges for Water and Sewer Service Provided to Residential and Commercial Customers in Harbor Island, Beaufort County
Docket No. 2007-243-WS

Dear Mr. Terreni:

Enclosed please find the South Carolina Office of Regulatory Staff's Proposed Order in the above-referenced docket. Also enclosed please find the Proposed Schedule of Rates and Charges.

Please accept the original of this letter for filing and return the copy enclosed to me in the envelope provided. Thank you for your assistance in this matter. If further information is needed, please do not hesitate to let me know.

Sincerely,

Shealy Boland Reibold
Shealy Boland Reibold

cc: J. Thomas Mikell, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-243-WS - ORDER NO. 2007-____
DECEMBER 5, 2007

IN RE:)	
)	
Application of Harbor Island Utilities, Inc.)	ORDER APPROVING SETTLEMENT
for Approval of a New Schedule of Rates)	AGREEMENT AND RATES AND
and Charges for Water and Sewer)	CHARGES CONTAINED THEREIN
Service Provided to Residential)	
and Commercial Customers in Harbor)	
Island, Beaufort County))	
_____)	

This matter comes before the Public Service Commission of South Carolina (hereinafter the "Commission") on the proposed Settlement Agreement ("Agreement") filed by the Office of Regulatory Staff ("ORS") and Harbor Island Utilities, Inc. ("Harbor Island" or "the Company") (together "Parties").

This matter was initiated on June 25, 2007 when Harbor Island filed with this Commission an Application for approval of a new schedule of rates and charges for water and sewer service provided to residential and commercial customers in Harbor Island, Beaufort County. On August 24, 2007, Harbor Island filed a Revised Application ("Application"). See S.C. Code Ann. §58-5-240 (Supp. 2006). By its Application, the Company sought an increase in annual water revenues of \$88,486.

By letter dated July 6, 2007, the Commission's Docketing Department instructed Harbor Island to publish a prepared Notice of Filing, one time, in newspapers of general

circulation in the area affected by Harbor Island's Application. The Notice of Filing described the nature of the Application and advised all interested persons desiring to participate in the scheduled proceedings of the manner and time in which to file appropriate pleadings for inclusion in the proceedings as a party of record. In the same letter, the Commission also instructed Harbor Island to notify directly, by U. S. Mail, each customer affected by the Application by mailing each customer a copy of the Notice of Filing. Harbor Island furnished the Commission with an Affidavit of Publication demonstrating that the Notice of Filing had been duly published in a newspaper of general circulation in the area affected by Harbor Island's Application. The Company also provided the Commission with a letter in which Harbor Island certified that it had complied with the instruction of the Commission's Docketing Department to mail a copy of the Notice of Filing to all customers affected by the Application.

No Petitions to Intervene were filed in this case in response to the Notice of Filing. By letter dated August 10, 2007, the Harbor Island Owners Association, Inc. requested a night hearing in Beaufort County. The night hearing was held on October 10, 2007. Pursuant to S.C. Code Ann. Section 58-4-10(B) (Supp. 2006), ORS is a party of record in this proceeding. Further, ORS and Harbor Island are the only parties of record in the above-captioned docket.

As a result of settlement negotiations between them, the parties have determined that their interests are best served by settling the issues in this matter under the terms and conditions set forth below. ORS stated in the Agreement that the settlement serves the public interest, preserves the financial integrity of the Company, and promotes economic development within the State of South Carolina. By signing the Agreement, all counsel

acknowledged their respective clients' consent to its terms. The Agreement provided that the parties viewed the terms of the Agreement to be just and reasonable.

A public hearing was held before the Commission on November 7, 2007 at 10:30 a.m., at the Commission's offices located at 101 Executive Center Drive, Columbia, South Carolina. Harbor Island was represented by J. Thomas Mikell, Esquire. ORS was represented by Nanette S. Edwards, Esquire, and Shealy Boland Reibold, Esquire. At this hearing, the parties offered into the record the Agreement dated October 29, 2007. The parties further introduced into the record and stipulated to the settlement testimony of Harbor Island witness Robert G. Gross. The parties also stipulated to and included in the record the settlement testimony of ORS Witnesses Christina L. Seale and Willie J. Morgan. Mr. Gross, Ms. Seale, and Mr. Morgan additionally answered questions from the Commission regarding the terms and conditions of the Agreement.

The parties asserted before the Commission that the Agreement provides a schedule of proposed rates, terms, and conditions that are just and reasonable to both the Company and its customers. Specifically, Harbor Island accepted ORS's accounting and pro forma adjustments and agreed to reduce its original requested increase in water and sewer revenues of \$88,486 to an annual increase in water and sewer revenues of \$71,284, which produced an operating margin of 10.60%.

We find that the rates agreed to by the parties, which are specified in the Agreement, which is hereby adopted and attached to this Order as Order Exhibit 1, are just and reasonable and will allow Harbor Island to continue to provide its customers with adequate water and sewer services. Based on the record before us, we find that the Company has undertaken

improvements that benefit its customers. Further, we find that the Company is currently operating under rates that do not allow it to earn a fair return on its investment. The Agreement provides a schedule of proposed rates, terms, and conditions that are just and reasonable. Further, the agreed upon rates will allow the Company to earn a reasonable return on its investment. The parties therefore agreed and stipulated to certain rates and charges and terms and conditions which we hereby approve and set forth in the attached Order Exhibit 2. We agree, and hereby find, that the rates and charges and terms and conditions contained in the Agreement are just and reasonable.

After review and consideration by this Commission of the Agreement, the evidence contained in the record of this case, the testimony of the witnesses, and the representations of counsel, the Commission concludes as a matter of law that the Agreement results in just and reasonable rates and fees for water and sewer agreed to by the Parties. Based on the operating revenues, operating expenses and operating income for return agreed upon by the parties, the resulting allowable operating margin for the Company is 10.60%. See S.C. Code Ann. § 58-5-240(H).

IT IS THEREFORE ORDERED THAT:

1. The Agreement, including attachments and attached hereto as Order Exhibit 1, is incorporated into and made a part of this Order by reference.
2. The proposed rates contained in the Agreement, have been entered into the record of this case without objection. We find that the schedule of rates and charges and terms and conditions attached hereto as Order Exhibit 2 is both just and

reasonable and will allow the Company to continue to provide its customers with adequate water and sewer services.

3. The schedule of rates and charges attached hereto as Order Exhibit 2 is approved for service rendered on or after January 1, 2008.
4. An operating margin of 10.60% is approved for Harbor Island.
5. Harbor Island shall file a performance bond in the amount of \$215,000 for water and \$145,000 for sewer services by January 1, 2008.
6. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

G. O'Neal Hamilton, Chairman

ATTEST:

C. Robert Moseley, Vice-Chairman

BEFORE

**THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

DOCKET NO. 2007-243-WS

October 30, 2007

Application of Harbor Island Utilities, Incorporated)
For Approval of a New Schedule of Rates and)
Charges for Water and Sewer Service Provided to)
Residential and Commercial Customers in Harbor)
Island, Beaufort County, South Carolina)

SETTLEMENT AGREEMENT

This Settlement Agreement is made by and between the South Carolina Office of Regulatory Staff ("ORS") and Harbor Island Utilities, Incorporated. ("Harbor Island," "the Company," or "the Applicant") (together referred to as the "Parties" or sometimes individually as "Party").

WHEREAS, the Company has prepared and filed an Application for approval of a new schedule of rates and charges for water and sewer service provided to residential and commercial customers in Harbor Island, Beaufort County, South Carolina filed on August 24, 2007 ("Revised Application");

WHEREAS, the above-captioned proceeding has been established by the South Carolina Public Service Commission ("Commission") pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2006);

WHEREAS, ORS has examined the books and records of the Company relative to the matters raised in the Revised Application and, in connection therewith, has requested of and received from the Company additional documentation;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in their best interests and in the case of ORS, in the public interest;

WHEREAS, following those discussions the Company has determined that its interests and ORS has determined that the public interest would be best served by stipulating to a comprehensive settlement of all issues pending in the above-captioned case under the terms and conditions set forth herein;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and terms and conditions of water and sewer service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to obtain a reasonable operating margin.

1. The Parties stipulate and agree that the exhibits prepared by ORS and attached to the settlement testimony of Christina L. Seale (filed as Exhibit A) fairly and reasonably set forth the Company's operating expenses, pro forma adjustments, depreciation rates, revenue requirement, and operating margin.

2. The Parties stipulate and agree to include in the hearing record of this case the settlement testimony of Robert G. Gross (filed as Exhibit B), and the settlement testimony of Willie J. Morgan, including all exhibits attached to said pre-filed testimonies (filed as Exhibit C), without objection, change, or amendment.

3. The Parties stipulate and agree that the rate schedule, entitled Exhibit "WJM 5" to Settlement testimony of Willie J. Morgan, including the rates and charges and terms and conditions of service, are fair, just, and reasonable. The Parties further stipulate and agree that the rates contained in said rate schedule are reasonably designed to allow the Company to provide service to its water and sewer customers at rates and terms and conditions of service that are fair, just and reasonable and provides the opportunity to recover the revenue required to earn a fair operating margin.

4. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

5. In its Revised Application, the Company has requested an increase in total operating revenues of \$88,486. As a compromise to their respective positions, the Parties

stipulate and agree to an increase in total operating revenues of \$71,284. This increase is supported by the adjustments reflected in Exhibit A.

6. The Company and ORS recognize the value of resolving this proceeding by settlement rather than by litigation (including but not limited to the reduction in rate case expenses) and therefore stipulate and agree for purposes of settlement in this case that an operating margin of 10.60% is just and reasonable under the specific circumstances of this case in the context of a comprehensive settlement. In consideration of this Settlement Agreement, the Company agrees that no rate case expenses incurred after October 25, 2007 in relation to Docket No. 2007-243-WS shall be included for ratemaking purposes.

7. The Parties further stipulate and agree that this Settlement Agreement conclusively demonstrates the following: (i) the proposed accounting and pro forma adjustments and depreciation rates reflected in Exhibit A are fair and reasonable and should be adopted by the Commission for ratemaking and reporting purposes; (ii) the operating margin of 10.60% and an annual increase in total operating revenues of \$71,284, is fair, just, and reasonable when considered as a part of this stipulation and Settlement Agreement in its entirety; (iii) Harbor Island's services are adequate and being provided in accordance with the requirements set out in the Commission's rules and regulations pertaining to the provision of water and sewer services, and (iv) Harbor Island's rates as proposed in this Settlement Agreement are fairly designed to equitably and reasonably recover the revenue requirement and are just and reasonable and should be adopted by the Commission for service rendered by the Company on and after January 1, 2008.

8. The Company agrees to file with the Commission a performance bond for water service in the amount of \$215,000 and for sewer service in the amount of \$145,000 by January 1, 2008.

9. The Company agrees to provide advance notice to its customers prior to the implementation of these new rates.

10. The Company agrees to file a complete water audit report addressing water loss issues with the Commission pursuant to Commission Order 2002-866. A copy of the water audit report shall be submitted to the ORS.

11. The Company agrees to delete proposed tariff language regarding cost for delinquent accounts and keep a proposed \$10.00 charge for sending certified notice to delinquent customers.

12. The Company agrees to repair and/or replace fire hydrants on the island in response to concerns raised by ORS.

13. The Company agrees to continue to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform Systems of Accounts.

14. The Parties agree that Harbor Island may pass through increased costs it incurs pursuant to its contracts with Beaufort-Jasper Water & Sewer Authority and Fripp Island Public Service District. However, these increases shall be subject to providing the Commission satisfactory proof of the basis for the adjustment and sufficient notice to customers as set out in Harbor Island's Revised Application.

15. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of the above-

captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

16. The Parties agree not to introduce or use this Settlement Agreement to constrain, inhibit, impair, or prejudice the other party in other proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty or obligation.

17. This Settlement Agreement shall be interpreted according to South Carolina law.

18. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

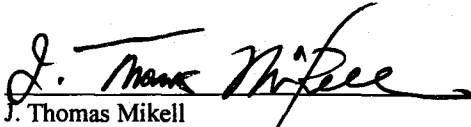
WE AGREE:

Representing the South Carolina Office of Regulatory Staff

Shealy Boland Reibold
Shealy Boland Reibold, Esquire
South Carolina Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, SC 29201
Phone: (803) 737-0863
Fax: (803) 737-0895
E-mail: sreibol@regstaff.sc.gov

WE AGREE:

Representing Harbor Island Utilities, Inc.

A handwritten signature in black ink, appearing to read "J. Thomas Mikell", written over a horizontal line.

J. Thomas Mikell

J. Thomas Mikell, P.C.

Post Office Box 1727

Beaufort, SC 29901

Phone: (843) 524-2110

Fax: (843) 524-4995

E-mail: mikelllaw@embarqmail.com

HARBOR ISLAND UTILITIES, INC.
SCHEDULE OF RATES AND CHARGES

WATER

1. Monthly Charges

Residential

¾" meter:	\$17.24 per month
1" meter:	\$21.00 per month
1 ½" meter:	\$26.50 per month
Commodity Charge:	\$4.12 per 1,000 gallons

Commercial

¾" meter:	\$24.00 per month
1" meter:	\$27.00 per month
1 ½" meter:	\$33.00 per month
Commodity Charge:	\$4.12 per 1,000 gallons

Landscape Irrigation

¾" meter:	\$17.24 per month
1" meter:	\$21.00 per month
1 ½" meter:	\$26.50 per month
Commodity Charge:	\$4.12 per 1,000 gallons

Multiple Residential Units

Minimum monthly charge:	\$17.24 per unit
Commodity Charge:	\$4.12 per 1,000 gallons

2. Fire Hydrant Usage

A.	Installation charge	\$65.00
B.	Advance payment	\$75.00
C.	Commodity charge	\$4.17

3. Reconnection Fees

A.	Disconnection/Reconnect at Customer's Request	\$50.00
B.	Disconnection/Reconnect due to Nonpayment	\$50.00

4. Tap Fees

Single Units

¾" meter:	\$1,200.00
1" meter:	\$1,600.00
1 ½" meter:	\$1,800.00
2" meter:	\$2,700.00

Master Meter for Multiple Units

1" to 2" Meter (plus cost meter installation)	\$1,200.00 per unit
Greater than 2" Meter (plus cost of meter installation)	\$600 per unit

5. Advance Payment

For water used during construction (paid with tap fees)	\$100.00
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SEWER

1. Monthly Fees

A. Residential	\$37.00
B. Commercial	\$37.00 (minimum for 10,500 gal) Excess usage \$1.50 per 1,000 gal

2. Tap Fees

A. Residential	\$500.00
B. Trailer Park	\$250.00 per pad
C. Commercial (Water supplied through 1" to 1 ½" meter)	\$850.00

GENERAL

1.	Administrative set-up fee for new customers	\$25.00
2.	Pass through rate increase from Beaufort-Jasper Water and Sewer Authority (BJWSA) and Fripp Island Public Service District (FIPSD) after a 60-day notice to SC PSC and a 30-Day notice to customers	At Cost
3.	Authority to recover administrative and legal fees from delinquent accounts	\$10.00

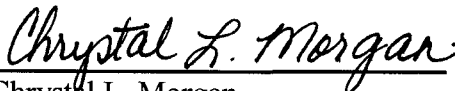
BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2007-243-WS

IN RE:

Application of Harbor Island Utilities,)	
Incorporated for Approval of a New Schedule)	CERTIFICATE OF
of Rates and Charges for Water and Sewer)	SERVICE
Service Provided to Residential and		
Commercial Customers in Harbor Island,		
Beaufort County		

This is to certify that I, Chrystal L. Morgan, have this date served one (1) copy of the **PROPOSED ORDER** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

J. Thomas Mikell, Esquire
J. Thomas Mikell, PC
Post Office Box 1727
Beaufort, SC, 29901


Chrystal L. Morgan

December 5, 2007
Columbia, South Carolina